

HOOVER REVIEWS U. S. TRADE IN 1923 AND PREDICTS A BIG YEAR FOR INDUSTRY IN 1924

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The important thing in formulating any judgment as to the economic future is an understanding of our present position and of the forces that are in motion for and against economic progress. The following summary is based on the annual review of the department representatives throughout the world.

The economic outlook for our own country for the next year is bright. In general the world situation is hopeful. The general spirit of prudence, the absence of speculation, complete employment, high production, and the great financial strength and stability of the important states in the western hemisphere, together with the promise of the early conference for systematic consideration of constructive solution of the world's greatest economic menace—Franco-German relations—all create a hopeful foundation on which the new year may build.

An economic weather chart of the world would show three distinct areas: First, the western hemisphere, Asia, Australia, and Africa, which have made distinct economic progress during the past year, achieving a high degree of economic recovery.

Second, Russia, the Baltic, the Balkan states, the Near East, Italy and Spain, which are still struggling with after-war political, social, currency, debt, and budget problems, but yet show undoubted progress in the restoration of commerce and industry.

Third, an area of economic depression resulting from the occupation of the Ruhr and the collapse of Germany. While most acute in that country, it radiates its depressing influences strongly over Poland, Czechoslovakia, Switzerland, Hungary, Scandinavia, Holland, and Great Britain. France can well be placed in this group because the failure to secure reparations has contributed to an unbalanced budget and the resulting direct inflation. This has concealed the true situation and has given an artificial and forced draught to the industrial activity. The other countries of the group are suffering from a distressing increase of unemployment.

The German Collapse
The German collapse has in less

degree affected every other part of the world. The decreasing consuming power of Germany and of the states most affected has contributed to the low price levels of food products in the United States and other food exporting countries. The decrease in her steel and coal production at first gave stimulus to the production of other countries, but this is now offset by decreased buying power of the depressed area for other commodities. One other effect of importance has been the undoubted substantial flight of capital from many of the states in this area of depression to the United States, resulting in further excessive accumulation of gold here. The economic world has not yet felt the full impact of the occupation of the Ruhr. Were it not for the hope inspired by the initiation of negotiations for settlement of the German problem the situation would be most unpromising for the future.

A Difficult Problem

Even with settlement accomplished there will arise considerable problems in readjustment of trade through re-entry of German coal and steel into the markets and through the possible (and to be hoped) return of capital which has sought refuge in the United States from many parts of Europe. During the whole year passed the

events of the depression area have at least served to inspire caution in the rest of the world and have contributed to the absence of speculation, and therefore to their fundamental stability. If it be possible to reconstruct Germany's finances during the forthcoming year and to secure such assistance to France as will enable the stabilization of the franc, the world will have entered into a period of great hope and much promise of prosperity. Full consummation cannot, of course, be accomplished without a large measure of disarmament in Europe, for the armies today maintained by 170,000,000 people there are upon a scale which, if repeated in the western hemisphere, would mean 3,000,000 men under arms—a strain that would have made recuperation almost impossible on this side of the Atlantic, even with the economic strength which this hemisphere possesses.

Russia Progressing

Russia is slowly making progress with the inch by inch abandonment of communism and socialism. War has ceased in the Near East. Greece and Turkey are turned toward progress. The eastern states of Europe are sensibly approaching sound projects for stabilization of budgets and currency. China is still disturbed politically, but her commerce is maintained despite it. The Japanese disaster has had less effect upon her economic stability than many anticipated and has furnished new proof of the great strength and courage of that country. Latin America is steadily increasing in productivity, but currency conditions in some instances leave much to be desired. Except in Mexico there has been a steady increase in political and social stability.

U. S. Position

Our own country has shown more freedom from depressing European economic influences than most others. The explanation lies in the fact that although our exports are of profound importance, less than 6 per cent of our total productivity is exported, and of this only about one-half to Europe. The proportions of different products exported to Europe of course varies, and European conditions therefore have a fluctuating influence upon different industries. As less than 1 per cent of our manufactured products find their markets in Europe, the direct effect upon these industries is more negligible than upon certain ag-

ricultural products which are much more dependent upon European consumption, such as wheat and pork products, and we endure both economic and political reactions at home from this latter fact.

1923 a Great Year

In 1923 the United States have witnessed the highest total productivity and movement of commodities since the war, with full employment, high wages, greatly increased savings, large additions to home building, and the largest increase in railway equipment since the war. The whole has been accompanied by a remarkable absence of speculation, consequent over-accumulation of consumable goods, or dangerous expansion of credit. As we are not in a boom we can expect freedom from a slump. Some secondary interogations can be raised as to the effect of the expansion of installment buying of consumable goods, the acute suffering in the northwest agricultural areas, the increase on stocks of some commodities, and decrease on some advance orders. These items are small compared to the whole industrial fabric. Taking the country as a whole we never in history have enjoyed a higher standard of living and comfort nor so great a degree of commercial and industrial efficiency as today, or so wide an understanding of the forces which control the ebb and flow of business. As severe as the situation is in the worst of the agricultural states, yet the disparity between agricultural prices as a whole and industrial commodities is gradually lessening and the economic balance is tending to right itself.

Exports and Imports

A more detailed examination of our own situation based upon the first eleven months, and some later data, indicates that our foreign trade will show about \$4,100,000,000 in exports and about \$3,800,000,000 in imports—an increase of 7 per cent in the former and 20 per cent in the latter over 1922. The merchandise balance will be about \$300,000,000 in our favor. Net gold and silver imports will be about \$260,000,000, or on the face of these figures almost a full liquidation of the trade balance. On the other hand, our very large net expenditures upon tourists, emigrant remittances, and other current invisible items have been apparently liquidated by the very considerable flight of capital from Europe. Our publicly issued loans to foreign countries and enter-

prises have been about \$300,000,000 net for the year, as compared to over \$600,000,000 last year.

Our manufactured production, taken together, will show about 10 per cent higher than 1920 and 15 per cent higher than 1922. The 1923 production of coal and coke shows a great increase, but the strike in 1922 prevents any useful comparison with last year. Production for this year increased over 1922 by about 40 per cent in iron and steel, about 50 per cent in copper, about 60 per cent in automobiles, about 15 per cent in rubber tires, about 10 per cent in lumber, about 20 per cent in cement, about 20 per cent in sanitary ware, and about 10 per cent in leather. Textiles were about the same as the year before.

Products of Soil

In agricultural products cotton production increased about 3 per cent; the total bushels of cereals show an increase of about 3 per cent; pork products about 20 per cent, beef about 5 per cent—with a slight increase in dairy produce.

In construction work the large additions to our railway equipment have enabled the railways to handle the traffic, for the first time since the war, and marks a great achievement. In building there has been about the same floor space constructed but there has been a great shift from public construction to make way for private work, as indicated by the decline of over 20 per cent in public building construction and an increase of about 15 per cent in residential buildings, compared to 1923. This shift from public to private construction is also indicated by the fact that concrete road contracts declined about 16 per cent, while the output of cement, however, increased as above.

Tonnage Increases

In transportation, car loadings were increased by about 15 per cent. Cargo traffic through the Panama canal doubled, it increased 40 per cent through Sault Ste. Marie, and 30 per cent through the Erie canal. The overseas tonnage was about the same.

Consumption is indicated by the increase in sales of mail order houses by about 30 per cent, in chain stores 18 per cent, and department stores about 10 per cent over 1922. Postal receipts were 10 per cent greater than in 1922.

The stocks of goods generally at the end of the year and unfilled orders for steel are lower, as are orders for railway equipment. But the large employment bids fair for large continued consumption of goods.

Price Levels Stable

Price levels maintained comparative stability. Wholesale average prices of all commodities declined about 3 per cent for the year and stand 52 per cent above 1913. Average prices for ground crops increased 15 per cent, while like stock declined about 7 per cent. Retail food prices increased during the year about 4 per cent, and the labor department cost of living index would show an increase of about 4 per cent.

The national debt has been reduced about one billion dollars during the year; bank debits to individual accounts remained about the same in New York but increased about 12 per cent in the rest of the country. The money in circulation apparently increased about 6 per cent. Member banks show an increase of about 6 per cent in loans and discounts. The reserve ratio is about the same as a year ago—that is, about 76 per cent. Savings increased about 10 per cent, and life insurance sales about 22 per cent. The financial items, therefore, show a general parallel with increased production without inflation.

Odds Are Favorable

In summary, the world situation continues under the European cloud of the reparations dispute, unbalanced budgets, unstable currencies, and the political uncertainties of armies in the old allied states greater than pre-war. Yet the realization of the necessity to constructive solution of reparations, the constructive aid to Austria and Hungary, and the projects for budget reorganization in other countries, all give hope that we have at last taken a turning.

Our own country has exhibited extraordinary strength and progress. The basis of healthy business activity lies in balanced budgets, stable currency, high production accompanied by proportionate consumption, and savings, with an absence of speculation, extravagance and inflation. These things we have in the United States. We have even more in the hope of decreasing taxes. The odds are favorable to 1924.



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